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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 1970

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

RUCNCIS/CIS COLLECTIVE

RUCNMEM/EU MEMBER STATES COLLECTIVE

RUEHAK/AMEMBASSY ANKARA 4575

RUEHBJ/AMEMBASSY BEIJING 2379

RUEHKO/AMEMBASSY TOKYO 2244

RUEHIT/AMCONSUL ISTANBUL 2823

RUCPDOC/DEPT OF COMMERCE WASHDC

RHEHNSC/NSC WASHDC

RHMFISS/CDR USCENTCOM MACDILL AFB FL

RUEAAIA/CIA WASHDC

RHEFDIA/DIA WASHDC

RUEKJCS/Joint STAFF WASHDC

RUEKJCS/SECDEF WASHINGTON DC

RUEHVN/USMISSION USOSCE 3129

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001590

SIPDIS

STATE FOR SCA/CEN, EEB

E.O. 12958: DECL: 12/07/2018

TAGS: EPET PGOV ECON EIND TX

SUBJECT: TURKMENISTAN: HEAD OF HYDROCARBONS AGENCY

COMPARES IOCS TO TSUNAMI

Classified By: Charge d'Affaires a.i. Richard M. Miles for reasons 1.4 (B) and (D).

¶1. (C) SUMMARY: Engineering firm KBR's regional representative recounted a conversation he had with Turkmenistan's State Hydrocarbons Agency chief during which the official compared letting IOCs work in Turkmenistan to a "tsunami." The official also indicated that the agency is overwhelmed by cost control analysis for the Petronas offshore project. The KBR rep noted that the State Agency's difficulties are an opportunity for service companies such as KBR, but suggested that the Turkmen would still need the project management skills and capital of the IOCs to develop their gas fields. END SUMMARY

IOCS IN TURKMENISTAN WOULD BE A TSUNAMI

¶2. (C) On December 4, poloff met with U.S. engineering services firm KBR's Almaty-based Regional Business Development Manager Kairat Nurkenov to discuss KBR's business prospects in Turkmenistan. Nurkenov said he met State Agency for Management and Use of Hydrocarbons ("State Agency") Chairman Yagshygeldi Kakayev on the margins of the November 20-21 TIOGE oil and gas exhibition. They talked for 20 minutes, during which time Kakayev said that, if the Turkmen "open the door to IOCs, it would be like a tsunami." Kakayev also told Nurkenov that the State Agency is not able to analyze the figures and costs for Petronas' Block I project in the Caspian. Work on the project has been subcontracted out to other Malaysian companies. Nurkenov said he saw a "cry for help" in Kakeyev's eyes. Nurkenov explained to Kakayev that KBR's expertise would address the infrastructure of developing new fields, especially the cost control part. Nurkenov thought he saw genuine interest from Kakayev for the kind of "help" that KBR can offer.

¶3. (C) According to Nurkenov, Kakayev said he was interested in KBR and would like to talk more the following day, a Saturday. Nurkenov agreed to meet, but no meeting took place because Kakayev was involved in a "subbotnik," voluntary unpaid work sessions that occur on occasional Saturdays. The following Monday, back in Almaty, Nurkenov received a call from Kakayev's office asking him to come back to Ashgabat for a meeting. When Nurkenov said it would take three weeks to

get a Turkmen visa, Kakayev's staff said the visa would be expedited. When poloff met with Nurkenov on December 4, he had been waiting 1-1/2 days to have his meeting with Kakayev, who was reportedly out sick.

TURKMENISTAN PRESENTS AN OPPORTUNITY FOR SERVICE COMPANIES

¶4. (C) Nurkenov felt some urgency in developing contact with Kakayev because he'd heard rumors that Kakayev may soon replace Deputy Chairman for Oil and Gas Tachberdy Tagiev. The latter has allegedly fallen out of favor with President Berdimuhamedov. If Kakayev was promoted, Nurkenov thought he would no longer be approachable. Nurkenov said KBR is not currently working in Turkmenistan. He mentioned that in Kazakhstan, KBR provided project management services and its Granherne unit had done a full field development study. He felt the current situation in Turkmenistan provided engineering services companies with an opportunity. However, if KBR was brought in by the State Agency to handle overall project management, he thought working with the State Agency would be "a nightmare" due to its lack of trained cadres. Instead, KBR would explain the potential benefits of involving the IOCs, in terms of both project management and capital.

¶5. (C) Nurkenov had also heard that, several weeks before TIOGE, the State Agency had issued letters of intent to several Western companies related to developing the South Yolotan gas field. He didn't know whether the companies were service providers or another type. He also mentioned that

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the French company CIFAL is active in the oil and gas sector in Turkmenistan as a trading company and middleman for European equipment and engineering firms. According to Nurkenov, CIFAL representatives see Kakayev on a weekly basis.

¶6. (C) COMMENT: Nurkenov's account sheds light on some of the factors that seem to have brought GOTX consideration of IOC proposals to a standstill. Concern about being overwhelmed by the IOCs and an inability to make sure the GOTX is getting its due, even from the relatively modest PSAs currently in effect, can be attributed to a lack of trained cadres at the State Agency and other hydrocarbon agencies. At the same time, as Nurkenov noted, this lack of analytical and management capacity is an opportunity for consulting and engineering firms, provided Turkmenistan government officials recognize the need and takes steps to address it. END  
COMMENT.

MILES